92 14 7897

J 92-2262 10

0 32413
0 35746

FORM 10-Q

MAY 1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

Commission file number 0-19347

HOME HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3584978
(State of incorporation)	(I.R.S. Employer Identification No.)
59 Maiden Lane, New York, New York	10038-4548
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 530-6600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

At March 31, 1992 there were 150,000 shares of registrant's common stock, par value $.01 per share, outstanding.

BEST COPY
AVAILABLE

May 14, 1992 12:26pm

PROCESSED BY
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HOME HOLDINGS INC.
Consolidated Statement of Income
For the Quarter ended March 31
($ millions)

	1992	1991
Revenues:		
Earned premiums	$ 433	423
Insurance net investment income	71	74
Realized gains on investments	6	7
Investment services	99	76
Total revenues	609	580
Operating expenses:		
Losses and loss adjustment expenses	351	353
Policy acquisition and other insurance expenses	120	125
Investment services	90	72
Corporate interest expense	14	15
Other expenses	5	2
Total expenses	580	567
Income before income taxes	29	13
Income taxes	(2)	-
Preferred dividends of subsidiary	(5)	(6)
Net income	$ 22	7

See notes to consolidated financial statements

HOME HOLDINGS INC.
Consolidated Balance Sheet
($ millions)

Assets	March 31, 1992	December 31, 1991
Investments of insurance companies:		
Fixed maturities, principally at amortized cost (market $3,390 and $3,408)	$ 3,276	3,212
Equity securities at market (cost $102 and $104)	113	112
Investments held for sale at lower of cost or market (market $66 and $79)	54	75
Short-term investments	221	249
Total investments of insurance companies	3,664	3,648
Cash	30	27
Accrued investment income	76	76
Investments of investment services subsidiaries at market	290	203
Premiums receivable	943	903
Receivable from brokers, dealers and customers	864	737
Deferred policy acquisition costs	128	138
Goodwill	251	252
Other assets	281	265
Total assets	$ 6,527	6,249
Liabilities and Stockholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	2,972	3,012
Unearned premiums	804	797
Payable to brokers, dealers and customers	650	613
Investment services debt	226	108
Corporate debt	513	516
Other liabilities	776	642
Preferred stock of subsidiary	161	161
Stockholders' equity:		
Junior preferred stock series A, B, and C	–	–
Common stock	–	–
Paid-in capital	383	376
Retained income	32	17
Unrealized gains on investments of insurance companies	11	8
Currency translation adjustments	(1)	(1)
Total stockholders' equity	425	400
Total liabilities and stockholders' equity	$ 6,527	6,249

See notes to consolidated financial statements.

HOME HOLDINGS INC.
Consolidated Statement of Cash Flows
For the Quarter ended March 31
($ millions)

	1992	1991
Cash flows from operating activities:		
Net income	$ 22	7
Adjustments to reconcile net income to net cash used for operating activities:		
Realized gains on investments	(6)	(7)
Deferred policy acquisition costs	10	(3)
Unpaid losses and loss adjustment expenses	(40)	(34)
Premiums and net reinsurance balances receivable	(42)	(41)
Unearned premiums	7	32
Investment services investments, net of payables	(37)	(41)
Investment services receivables, net of payables	(90)	(18)
Other	7	42
Net cash used for operating activities	(169)	(63)
Cash flows from investing activities:		
Purchase of Home including deferred payments, net of cash acquired of $28 million in 1991	(2)	(554)
Sales of insurance investments	311	371
Purchases of insurance investments	(347)	(360)
Short-term insurance investments, net	28	103
Insurance investment transactions in the course of settlement	67	(32)
Other	-	(9)
Net cash provided by (used for) investing activities	57	(481)
Cash flows from financing activities:		
Stock issuance	-	235
Increase in investment services debt, net	118	53
Increase in corporate debt	-	363
Decrease in corporate debt	(3)	-
Payments by Home to former parent	-	(44)
Debt issue expense and other	-	(23)
Net cash provided by financing activities	115	584
Net increase in cash	3	40
Cash at beginning of period	27	-
Cash at end of period	$ 30	40
Interest paid	$ 15	9
Income taxes paid	$ 1	-

See notes to consolidated financial statements.

HOME HOLDINGS INC
Notes to Consolidated Financial Statements

1 Accounting Policies

Home Holdings Inc. ("the Company") follows the accounting policies set forth in the 1991 Annual Report on Form 10-K ("Annual Report") filed with the Securities and Exchange Commission ("SEC"). Users of financial information produced for interim periods are encouraged to refer to the footnotes contained in the Annual Report when reviewing interim financial results.

The accompanying interim consolidated financial statements are unaudited and subject to year-end adjustments. In the opinion of management, the interim financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and results of operations. Results for interim periods are not necessarily indicative of results for the full year.

2 Litigation

The Home Insurance Company ("Home"), a subsidiary of the Company, in common with the insurance industry, is subject to litigation, including claims for punitive damages and for extra-contractual damages, in the normal course of its business. Gruntal Financial Corp. ("Gruntal"), a subsidiary of Home, in the ordinary course of its business, has been named as a defendant or co-defendant in a number of lawsuits, including class actions, and arbitration proceedings, some of which involve claims for damages in substantial or unspecified amounts.

Fourteen complaints involving AmBase Corporation ("AmBase"), the former parent of Home, have been consolidated under the caption "In re AmBase Corporation Securities Litigation." The consolidated complaint names as defendants AmBase and the Company's subsidiaries, Home and Home Group Funding Corporation ("HGFC"), certain current and former directors and officers of AmBase as well as certain other parties. The complaint states that the defendants published false and misleading information and failed to disclose certain facts concerning the financial condition of AmBase and its subsidiaries. The defendants, including Home and HGFC, have filed motions to dismiss the complaint on the grounds that there is no basis for an action against them. It is not possible at the time to predict the outcome of this action, or the effect it might have on the financial condition of HGFC. The Company does not believe that the outcome of this action will have a material adverse effect on its financial condition.

3 Subsequent Events

On April 30, 1992, as a result of the consummation of the plan of reorganization of the Drexel Burnham Lambert ("Drexel") bankruptcy, Home received a cash distribution of $13 million with respect to advances of $43 million made to Drexel under a master note. The investment in Drexel was fully written-off in 1990. Accordingly, Home will recognize a realized gain from the above-mentioned distribution. In addition, Home received certificates of beneficial interest in a liquidating trust the value of which has not been determined.

On April 10, 1992, the Company commenced a tender offer to purchase all its outstanding 14 7/8% senior subordinated notes, approximately $60 million aggregate principal amount, at 113% of the principal amount of the notes plus accrued interest. As of May 13, 1992, the expiration date of the offer, $29,647,000 principal amount had been tendered and accepted for payment. The repurchase is being financed by a loan from Trygg-Hansa SPP Holding AB ("THSH"), a shareholder, that is payable in installments due in 1997 and 1998 with interest at the five year treasury rate, as defined in the loan agreement. On May 11, 1992, the Company redeemed $47 million of 11 3/4% sinking fund debentures at a redemption price of 104.331% of the principal amount of the debentures plus accrued interest. The redemption was financed by a $49 million loan from THSH that is payable in annual installments through 2005 with interest at 12.25%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Contributions to revenues and income before income taxes for the first quarter of 1992 and 1991 are presented below.

($ millions)	1992	1991
Revenues:		
Insurance:		
Earned premiums	$ 433	423
Net investment income	71	74
Realized gains on investments	6	7
	510	504
Investment services	99	76
	$ 609	580
Income before income taxes:		
Insurance:		
Underwriting loss	$ (38)	(55)
Net investment income	71	74
Realized gains on investments	6	7
	39	26
Investment services	9	4
Corporate interest expense	(14)	(15)
Other expenses	(5)	(2)
	$ 29	13

Insurance

Gross premiums written increased $27 million to $666 million in the first quarter of 1992 compared with the same period in 1991 due to an overall increase in new and renewal business in major accounts, commercial lines and specialty lines. This increase was partially offset by a decision to cease accepting new personal lines business, where permitted by state laws, after January 31, 1992. Net premiums written decreased $15 million to $440 million in the first quarter of 1992 compared with the same period in 1991 due to ceded premiums of $62 million relating to a 75% personal property quota share treaty and an 85% personal umbrella quota share treaty entered into in connection with the personal lines withdrawal. Earned premiums increased $10 million to $433 million in 1992, reflecting an increase in net premiums written in major accounts, commercial lines and specialty lines, partially offset by a decrease in personal lines. Underwriting losses decreased to $38 million in the first quarter of 1992 from $55 million in the same 1991 period partially due to unusually high losses reported by the National Workers' Compensation Reinsurance Pool in 1991.

Insurance net investment income decreased to $71 million in the first quarter of 1992 from $74 million in the same period in 1991 primarily due to lower investment yields resulting from a program to upgrade the credit quality and shorten the average maturity of the portfolio and from a general decline in interest rates partially offset by higher average portfolio levels. Net realized gains on investments were $6 million in the first quarter of 1992 compared with $7 million in the same period in 1991. At March 31, 1992 the carrying value and market value of non-investment grade debt securities was $82 million and $93 million, respectively, which included non-performing securities with a carrying value and market value of $26 million and $30 million, respectively.

Investment Services

Investment services revenues increased $23 million, or 30%, to $99 million in the first quarter of 1992 compared with the same period in 1991 mainly due to increased principal transaction revenues. Principal transaction revenues increased $16 million, or 46%, in the first quarter of 1992 compared with the same period in 1991 due to greater proprietary trading, sales of over-the-counter securities and sales of fixed income securities products. Commission revenues increased $2 million, or 11%, during the 1992 first quarter from the same period last year due to increased retail investor participation and share volume on the New York Stock Exchange. Underwriting and investment banking revenues increased $2 million, or 25%, in the first quarter of 1992 compared with the same period in 1991 as a result of increased syndicate and mutual fund revenues. Investment services expenses increased $18 million to $90 million in 1992 compared with 1991 primarily due to increased incentive compensation payments relating to the higher level of compensable revenues. Investment services income before income taxes was $9 million in the first quarter of 1992 compared with $4 million in the same 1991 period.

Other

Corporate interest expense was $14 million and $15 million in 1992 and 1991, respectively, and preferred dividends of subsidiary were $5 million and $6 million, respectively.

Other results reflect expenses of $5 million in 1992 compared with $2 million in 1991. The increase in 1992 was primarily due to a $2 million payment for the settlement of a litigated matter.

Income tax expense in 1992 was comprised of state and foreign taxes. No federal income tax expense was recorded in 1992 or 1991 due to the realization of tax benefits arising from the excess of the tax basis over the book basis of net assets.

Financial Condition

The Company's internal sources of funds consist primarily of dividends and payments received under a tax sharing agreement from Home. Since Home is subject to regulatory restrictions on the amount of dividends that may be paid, its earnings are not necessarily available to the Company on a current basis. During the first quarter of 1992 and 1991, the Company received dividends of $13 million and $20 million, respectively, from Home.

The amount of business a property and casualty insurance company may write is based, in part, on the amount of its policyholders' surplus, as determined in accordance with applicable insurance regulations. The consolidated policyholders' surplus of Home was $925 million at March 31, 1992 compared with $901 million at December 31, 1991. At March 31, 1992, the statutory premiums-to-surplus ratio of Home was 1.9 to 1.

Proposition 103 (the "Proposition") was passed by the voters in California in November 1988. The Proposition, among other things, mandated a rollback of "charges" on most property and casualty lines of insurance. Home has filed financial data with the California Department of Insurance (the "California Department") in support of requested premium levels for rates charged during the rollback period, November 8, 1988 to November 7, 1989, and the prior approval period, commencing November 8, 1989. In January 1991, an all-lines rate freeze was imposed prohibiting rate increases for pending and new rate applications. Emergency regulations implementing the proposition were issued by the California Department, but the California Office of Administrative Law ("OAL") disapproved them on January 10, 1992. However, the Governor, in an opinion issued on February 14, 1992, overruled the OAL, thereby rendering the emergency regulations valid for 120 days. Home is participating in a lawsuit challenging the contents of the regulations. Home has been given notice by the California Department that a hearing

will be held to review its rate filings. No specific date has been set for the hearing and, at present, there can be no assurance that the California Department will not mandate a rollback and prospective reduction of rates. Home believes that the impact of such measures on operations will not be material and, accordingly, no provision has been made in the accompanying financial statements for any liability or loss.

Cash used for operating activities was $169 million in the first quarter of 1992 compared with $63 million in the same period in 1991. Cash used for insurance operations was $42 million in the first quarter of 1992, as a result of a $31 million payment relating to the personal lines quota share treaties effective February 1, 1992. Cash used for investment services operations was $115 million, reflecting an increase in investments financed by bank loans.

Certain minimum amounts of capital must be maintained by Gruntal's broker-dealer subsidiaries to satisfy the requirements of the Uniform Net Capital Rule (Rule 15c3-1) of the SEC and the capital rules of other regulatory authorities. At March 31, 1992, the net capital of Gruntal & Co., Gruntal's principal broker-dealer subsidiary, as defined by the SEC and other regulatory authorities, was $56 million, which was $45 million in excess of the aggregate minimum required.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - none

(b) The registrant was not required to file a Current Report on Form 8-K during the quarter ended March 31, 1992.

HOME HOLDINGS INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOME HOLDINGS INC.

May 14, 1992

by

JAN EVELAND
Vice President,
Chief Financial Officer
and Treasurer